

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the First Prudence Review of Costs)
Subject to the Commission-Approved Fuel Adjustment) **File No. EO-2010-0084**
Clause of The Empire District Electric Company)

ORDER REGARDING PRUDENCE REVIEW

Issue Date: March 23, 2010

Effective Date: March 23, 2010

On September 4, 2009, the Commission's Staff commenced a prudence audit of The Empire District Electric Company's ("Empire") fuel adjustment clause ("FAC"). Staff filed its report and recommendation on February 26, 2010. Because no requests for a hearing were filed,¹ the Commission must issue an order regarding the audit no later than April 2, 2010.²

In File No. ER-2008-0093, the Commission approved Empire's original FAC to become effective on September 1, 2008.³ Staff's prudence review examines the costs associated with the FAC for an audit period of September 1, 2008 through August 31, 2009. Staff's report breaks out the types Empire's fuel and purchased power costs into four major categories: Fuel, Purchased Power, Off-System Sales Margin and Net Emission Allowances. The specific costs examined under these categories included financial hedges, natural gas expense, coal and pet coke expense, other fuel type costs, tire derived fuel, purchased power contracts, purchased power energy costs, off-system sales, SO2

¹ Pursuant to Commission Rule 4 CSR 240-20.090(7)(B), any hearing requests must be filed no later than 190 days post audit initiation. The 190-day post audit initiation deadline was March 13, 2010. Because it fell on a Saturday, the Commission's computation of time rule extended the deadline until Monday March 15, 2010.

² See Commission Rule 4 CSR 240-20.090(7)(B).

³ *In the Matter of The Empire District Electric Company's Tariff's to Increase Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*, File No. ER-2008-0093, Order Granting Expedited Treatment and Approving Tariff Sheets, issued August 12 and effective August 23, 2008.

allowances, interest costs, and outages. While Staff found no evidence of imprudence with regard to these expense categories, it did note several areas where it will conduct additional evaluation in the future.

Because no party requested a hearing, any issues in relation to Staff's prudence review remain unadjudicated. And because no contested case issue exists in this file, the Commission will close the file with this order.

THE COMMISSION ORDERS THAT:

1. The Staff of the Missouri Public Service Commission's February 26, 2010 report concerning the prudence audit of Empire District Electric Company's ("Empire") fuel adjustment clause is accepted as being compliant with the provisions of Commission Rule 4 CSR 240-20.090.
2. This order shall become effective immediately upon issuance.
3. This file shall be closed on April 2, 2010.

(S E A L)

Harold Stearley, Senior Regulatory Law Judge,
by delegation of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 23rd day of March, 2010.

BY THE COMMISSION



Steven C. Reed
Secretary